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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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Mailing Online Service)

Docket No. MC98-1

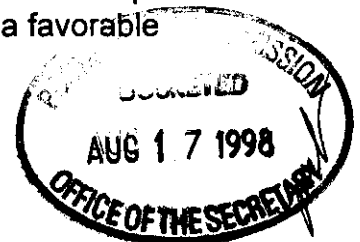
MOTION OF THE OFFICE OF THE CONSUMER ADVOCATE
CONCERNING A DATA COLLECTION PLAN
FOR A MARKET TEST OF MAILING ONLINE
(August 17, 1998)

During the course of the prehearing conference held on August 14, 1998, the Presiding Officer asked the Office of the Consumer Advocate (OCA) to put in writing OCA's view of the specific data that should be required to be collected and reported by the Postal Service during the market test of Mailing Online, in the event that the Commission were to issue a decision recommending that such a market test commence. Tr. 1/43-44.¹ OCA is pleased to present our suggestions on the data that should be required to be collected and reported.

Before presenting the details of our suggestions for a data collection plan, OCA wishes to reiterate a point made in the Statement of the OCA in Response to Order No. 1216, August 12, 1998, (at 3), that, as filed by the Postal Service on July 15, 1998,

[T]he plan for reporting the test data to the Commission lacks specificity and does not provide clearly for frequent reports to assist the Commission in resolving the request for the experimental phase of the program. For instance, the statement that data will be reported "periodically" is

¹ OCA's motion for a data collection plan should not be construed as an endorsement of the Mailing Online Service nor of the market test. This motion merely presents our views on the type of data that should be required if the Commission decides to conduct a bifurcated proceeding on the market test and experimental classification requests (See P.O. Ruling MC98-1/2, August 11, 1998), and determines that a favorable decision on the market test is warranted.



unsatisfactory. . . . If this proceeding moves forward under shortened procedures as contemplated by the Postal Service, market data, if filed quarterly, will not be available in time for review of the request for experimental classification.

Commission Rule 162(i) (emphasis added) provides that the Postal Service's formal request for a market test

shall . . . include the following particular information:

. . . .
(i) A plan for testing the proposed change or changes in the market, including a plan for gathering the data needed to support a permanent change in mail classification *and for reporting the test data to the Commission.*

It is clear from this language that one of the primary objects to be achieved by permitting a market test is that the Commission would have available data collected during the market test for consideration of a request for a permanent classification (in this docket, an experimental proceeding). Witness Garvey's statement in Appendix B of his testimony, that "operational statistics and customer feedback" will be reported "each Accounting Period" is woefully inadequate to inform the Commission about the costs, volumes, and revenues associated with Mailing Online—information that the Commission needs to assess the soundness of the Postal Service's cost estimates and revenue projections. Rules 162(i) and 165 can be applied meaningfully to the phase of the proceeding in which the merits and deficiencies of the Postal Service's proposal for experimental rates is considered only if the Postal Service complies with a rigorous data collection and reporting plan. Such a plan is an essential component of the recommended decision on the market test for Mailing Online (assuming the Commission acts favorably upon the Postal Service's request). If data available during the market test are not collected and reported rapidly and frequently throughout the

market test phase of the proceeding, then comments by counsel for MASA are well taken²—the market test is indistinguishable from the experimental request.

During the prehearing conference, counsel for the Postal Service indicated a willingness to report some types of data (namely certain volume and mailing characteristics data) on a weekly basis (or close to it) following the start up of the market test. *Id.* at 33-37. OCA makes counsel's comment a starting point for our suggested data collection plan, i.e., for every data item listed below, OCA asks that the information collected by the Postal Service be reported on a weekly basis.

A. Data that the Postal Service has previously indicated it is willing to provide:

Appendix B of USPS-T-1, "Market Test Data Collection Plan," indicates the willingness of the Postal Service to collect data on "mailpiece characteristics and customer reactions using the methods described in Appendix A." Turning to Appendix A, at 1, witness Garvey states that, "The collection of mailpiece characteristics is intended to supplant the market research presented in Library Reference 2/MC98-1 by tracking volume, revenue and mail characteristics. . . . [and] we will track what features customers prefer." On page 2 of Appendix A, witness Garvey defines "mail characteristics" as:

Total transactions
Total volume, broken down by simplex, duplex, and color
Total pages
Total revenue
Volume by subclass
Volume by shape
Volume by page size
Volume by envelope type

² Tr. 1/72-73.

Importantly, "The Mailing Online server compiles these data elements for each transaction." OCA asks that the information listed above (consisting of 8 items) be provided on a weekly basis, but that the 8 items be separately listed for each day of the week in the same manner such data were presented in witness Garvey's response to interrogatory OCA/USPS-T1-10, Exhibit 1. We also ask that a third column be added—the number of users or customers utilizing Mailing Online each day of the week,

OCA also seeks more detail than just the "total revenue" proposed to be reported by the Postal Service. We ask that revenue be listed separately for First-Class letters, First-Class flats, Standard A letters, and Standard A flats, for each day of the week (but filed with the Commission on a weekly basis).

In addition, OCA asks that the Postal Service give a ballpark estimate, each week, of the proportion of transactions that consisted of 1) invoices and statements, 2) standardized confirmations and announcements, 3) advertising mail, 4) newsletters, and 5) forms, the five applications specified in LR-2/MC98-1. OCA would add a sixth, miscellaneous or residual category, for mailings that did not come under one of these descriptions.

As noted above, the Postal Service indicated a willingness, in Appendix B, to collect information on "customer reactions." We ask that this information be reported on a weekly basis.

B. Cost data that OCA believes must be collected and reported:

There is no mention in Appendices A or B of witness Garvey's testimony of any intention by the Postal Service to collect data on the costs it incurs in providing and administering the pre-mailing portion of Mailing Online. OCA views this as a grave

deficiency. OCA asks that the Commission direct the Postal Service to collect and report, on a weekly basis, the following expense items. (For the most part, these items consist of those listed in LR-1/MC98-1 at 5 ("Cost Summary").

- 1) Technical Help Desk—OCA asks that a log be maintained at the technical help desk in which the a) number of calls received, b) the duration of each call received, and c) the cause or nature of each call received would be recorded. These results should be required to be filed with the Commission on a weekly basis.
- 2) Postal Service managers and administrators should be required to keep a log of the number of hours spent managing and administering Mailing Online, including a) the management of printer contracts and monitoring of printer activities, b) the management of postal personnel who perform work connected to Mailing Online, c) the management and administration of procurement activities for Mailing Online, and d) a residual Mailing Online management/administration category. Managers and administrators should specify the types of positions they hold so that estimation of their wage rates may be performed.
- 3) Processing Center expenditures made each week should be required to be collected and reported on a weekly basis. These would include a) hardware and b) software expenditures. In addition, Processing Center personnel should be required to keep a log of the number of hours they spend each week on Mailing Online, and these logs should be filed with the Commission on a weekly basis.
- 4) Telecommunications expenditures made each week should be required to be collected and reported. These would include a) hardware expenditures, b) software expenditures, and c) personnel hours spent on Mailing Online.

5) Print Site expenditures should also be collected and reported on a weekly basis.

These would include any expenditures made for a) hardware, b) software, and c) installation. A log should be kept recording the number of hours spent on Print Site activities, particularly installation activities.

In addition to those expense items noted in LR-1, OCA asks that the Postal Service be required to report its weekly expenditures on advertising and promoting Mailing Online. Also, OCA asks that the Postal Service be required to break down the advertising/promotions expenses by type of medium used, e.g., television, radio, periodicals, mailings, distribution of coupons, informational materials made available at postal retail facilities, personal visits by Postal Service marketing personnel, and telephone contacts.

Another expense item that OCA asks be reported weekly is educational expenses, such as those that might be incurred in conducting seminars similar to those described by witness Wilcox in response to interrogatory OCA/USPS-T7-6. These expense reports should include expenditures on educational materials and the time spent by postal personnel in preparing for, traveling to, conducting, and following up such seminars.

In Presiding Officer's Ruling No. MC98-1/2 the following statement appears: "Data on the accuracy of information services cost estimates and the depth of sort characteristics of varying volumes would be particularly useful." The OCA believes that estimates of information services costs are inseparable from the level of service provided to MOL customers. In particular, the frequency of busy signals encountered by customers attempting to access the MOL site and the frequency with

which the system is unable to transmit jobs received before the 2:00 PM deadline until after the deadline should give a good indication of whether sufficient capacity exists. If all telecommunications ports are in use for significant lengths of time, this will indicate a capacity shortfall and concomitant underestimate of information services capacity costs. The OCA requests that during the market test a log be maintained showing the number of instances in which no telecommunications ports are available (for whatever reason) for incoming MOL jobs and the length of time of each instance. Such data would provide an empirical basis for developing information services capacity requirements as opposed to the simplistic assumptions utilized in the Service's direct case. The OCA also requests that a log be maintained during the market test showing on a daily basis both the number of jobs and the number of pieces not transmitted to print sites even though they were received at the MOL processing center before the 2:00 PM transmission deadline. Such data would quantify the level of service actually received by MOL customers as well as indicate whether sufficient information services capacity exists during the market test.

With respect to depth of sort characteristics, the OCA has sought such data in interrogatory OCA/USPS-T5-17 to witness Garvey. (This interrogatory was apparently misidentified and should have been OCA/USPS-T1-17.) The OCA notes that depth of sort is intimately related to the number of possible job batches that must be created prior to presorting. As witness Garvey notes, there are 75 possible types of jobs for one-page pieces. If all 75 job types are equally likely to occur, then there would appear to be little opportunity for presorting at the volumes anticipated, and there would appear to be extra costs associated with numerous partially utilized trays or containers. On the

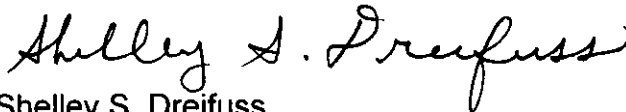
other hand, if most volume is concentrated in a few job types, there may be opportunities for very deep presorting, which in turn would justify postage rates lower than Automation Basic. Accordingly, the OCA requests that during the market test the Postal Service collect the data requested in OCA/USPS-T5-17 to witness Garvey, particularly the data requested in part b of that interrogatory.

In addition, OCA asks that the data collection plan track the level of printer compliance with contract distribution deadlines under Part 1.2.6A4 of the Postal Service Request for Proposal. Specifically, the Postal Service plan should supply the number and proportion of all batch jobs, by mail classification category, which the printers receive by the cutoff time (currently 2 p.m. ET per the 7/15/98 amendment to RFP), but which are not turned over to the USPS business mail entry unit (BMEU) by the cut-off time during the next postal service business day. The Postal Service data collection plan should also supply the number of any delays claimed excusable pursuant to Part 2.1f of the Request for Proposal. Further, OCA asks that the Postal Service provide the number of batch jobs received by printers by the 2 p.m. cutoff time that are entered at the BMEU *early, on the same day that they are received*. This should also be broken out by mail classification category.

OCA also asks that the Postal Service data collection plan periodically obtain and report the views of the printers concerning the operations of the printing contract: whether the contract provides for adequate operation of the service, whether the contract provisions are adequate, and whether the printers would be willing to continue the service for additional contract periods.

One caveat that must be added is that the plan suggested above may be subject to modification or augmentation as discovery continues and responses to oral cross-examination questions are reviewed. Wherefore, OCA moves that the data collection plan set forth above be incorporated into any decision by the Commission to recommend the commencement of a market test for Mailing Online.

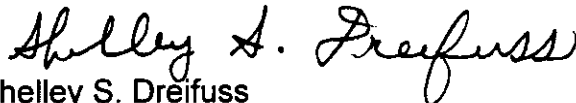
Respectfully submitted,



Shelley S. Dreifuss
Attorney

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.



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Washington, D.C. 20268-0001
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